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PREPARATION OF A SUMMARY OF THE CURRENT MARKET SITUATION IN SELECTED COMMODITIES

Note by the UNCTAD secretariat

1. As indicated in the explanatory note on the agenda for the resumed first session (TD/B/C.1/PSC/15, paragraph 5), the tables included in Annex A of document TD/B/C.1/PSC/WP/L.3 relating to the general description of the commodity situation, as provisionally agreed by the drafting group, have been brought up to date as far as possible by the secretariat. These tables are reproduced in Annex A to the present document.

2. As indicated in paragraph 6 of TD/B/C.1/PSC/15, the provisional outline covering developments in individual commodity markets and international consultations and actions, which appeared in Annex B of TD/B/C.1/PSC/WP/L3 and was not considered by the drafting group, has been revised, taking into account corrections and other amendments received from Governments. In certain cases suggestions made by Governments, which have not been incorporated in the text, are shown separately. The revised version is given in Annex B to the present document.

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ANNEX A

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ANNEX B

Revised version of Section II: "Individual commodity Markets" and Section III: "International consultatations and actions of Annex B of TD/B/C.1/WP/L.3 — 1, 29

ANNEX A

TABLE I

Trends in merchandise trade of the developing countries, 1955-65

	Values			Indices				
	Exports f.o.b.	Imports c.i.f.	Trade balance	Exports volume	Export unit value	Import unit value	Purchasing power of exports a/	Import volume
	($ billion)			(1958 = 100)				
1955	23.7	24.3	-0.6	91	105	98	98	90
1956	24.9	26.3	-1.4	97	104	100	101	95
1957	25.4	29.8	-4.4	99	104	103	99	104
1958	24.7	27.7	-3.0	100	100	100	100	100
1959	25.7	27.2	-1.5	107	97	98	106	101
1960	27.3	30.0	-2.7	113	98	99	112	109
1961	27.7	30.9	-3.2	118	95	98	114	113
1962	29.0	31.1	-2.1	127	93	97	121	115
1963	31.4	32.4	-1.0	134	95	98	130	118
1964	34.4	35.1	-0.7	141	97	99	141	124
1965	36.2	37.0	-0.8	151	97	100	147	131
		(Percentage increase per annum)						
1955-60	2.9	4.3	..	4.4	-1.4	0.2	2.7	3.9
1960-64	6.0	4.0	..	5.7	-0.3	-	5.9	3.3
1960-65	5.8	4.3	..	6.0	-0.2	0.2	5.6	3.7

Source: United Nations Statistical Office, Monthly Bulletin of Statistics

a/ Defined as value of exports deflated by index of import unit value.

TABLE II

Annual rates of change in the volume and value of exports from developing countries: Main commodity groups, 1953-55 to 1963-64

	Volume		Value		
	1953-55 to 1959-61	1959-61 to 1963-64	1953-55 to 1959-61	1959-61 to 1963-64	1963-64
	(Per cent per annum)				($ billion)
Primary commodities					
Food, beverages and tobacco a/	3.5	4.3	0.4	6.4	9.8
Industrial materials b/	2.9	3.2	2.5	2.0	9.2
of which					
Agricultural raw materials, including fats and oils c/	2.1	2.3	1.9	-0.2	5.8
Minerals and ores d/	5.2	5.6	4.6	5.5	1.8
Non-ferrous metals e/	4.2 g/	4.4 g/	3.3	5.6	1.6
Total of above	3.3	3.6	1.5	4.0	19.0
Fuels	6.9	10.0	6.6	8.5	10.2
Total	4.4	5.4	3.0	5.3	29.2
Manufactures f/	3.1	18.6	6.1	11.3	3.4
Total	4.4	6.5	3.2	5.8	32.9

Sources: United Nations Statistical Office; Monthly Bulletin of Statistics; Yearbooks of International Trade Statistics; Commodity Survey 1962; United Nations, New York; Trade Yearbooks, FAO; Lead and Zinc Statistics, International Lead and Zinc Study Group

a/ SITC Sections 0 and 1
b/ SITC Sections 2 and 4, and Division 68
c/ SITC Sections 2 and 4 less Divisions 27 and 28
d/ SITC Divisions 27 and 28
e/ SITC Division 68
f/ SITC Sections 5-8 less Division 68
g/ Based on exported quantities of copper, lead, zinc and tin valued at 1964 export unit values in developing countries

TABLE III

Annual rates of change in the quantity and value of exports of selected primary commodities from developing countries, and changes in export unit values, 1953-55 to 1963-64

	Quantity		Value			Unit value indices	
	1953-55 to 1959-61	1959-61 to 1963-64	1953-55 to 1959-61	1959-61 to 1963-64	1963-64	1959-61	1963-64
	(Per cent per annum)				($ billion)	(1953-55 = 100)	(1959-61 = 100)
Food, beverages and tobacco							
Coffee	4.7	3.0	-3.9	3.5	2.13	140	102
Cocoa	3.8	4.6	-2.3	0.3	0.52	70	87
Tea	1.8	2.4	1.1	1.7	0.61	96	97
Sugar	4.2	-3.3	3.4	12.4	1.75	96	171
Coarse grains	0.7	14.1	-1.7	14.2	0.38	87	100
Rice	3.4	3.8	-1.7	7.6	0.55	74	114
Tobacco	5.1	12.9	6.6	0.6	0.25	109	71
Agricultural raw materials							
Raw cotton	-0.7	5.0	-3.3	3.6	1.25	85	94
Raw jute	-2.5	3.6	1.0	2.5	0.20	123	96
Hard fibres	3.1	2.5	3.4	11.3	0.20	101	135
Natural rubber	2.7	-	5.5	-6.9	1.00	118	72
Oils and oilseeds	...	...	0.7	1.9	1.16	93	112
Non-agricultural materials							
Bauxite	7.7	3.0	11.8	7.3	0.14	125	115
Copper	6.5	3.7	3.8	4.8	1.08	26	103
Lead: ores	4.2	-2.3	-6.9	a/	0.03b/	51	99a/
metal	-1.4	-3.9	-5.3	-	0.06	78	113
Tin: concentrates	-5.8	-3.5	-3.9	9.3	0.19	113	150
metal	-	7.2	2.7	12.6	0.24	117	117
Zinc: ores	1.6	0.9	-0.7	22.9a/	0.08b/	87	164a/
metal	7.7	8.6	7.7	12.9	0.05	100	106
Iron ore	18.5	7.8	23.4	2.7	0.70	128	85

Sources: FAO Commodity Review, 1964: Special Supplement, Vol. 2; FAO Commodity Review, 1966; Commodity Survey, 1962 and Yearbook of International Trade Statistics, United Nations; Statistical Bulletin, International Tin Council, Lead and Zinc Statistics, International Lead and Zinc Study Group; International Financial Statistics, International Monetary Fund.

a/ Change from 1959 to 1964

b/ 1964 only

TABLE IV

Annual changes in world consumption of selected primary commodities, 1960-65 [a/] [b/]

	1960 to 1961	1961 to 1962	1962 to 1963	1963 to 1964	1964 to 1965	Actual 1965
	(Per cent)					(Million tons)
Food, beverages and tobacco						
Wheat	- 1	+10	- 3	- 1	+ 7	171
Coarse grains	- 1	+ 6	+ 2	+ 2	0	340
Rice	0	+ 9	+ 7	+ 3	- 2	105
Sugar	+ 5	+ 3	+ 1	+ 2	+ 5	44
Coffee	+ 3	+ 1	- 1	- 9	- 7	3.3
Cocoa [c/]	+10	+ 8	+ 2	+ 2	+10	1.3
Tea	+ 6	0	- 3	+ 6	- 1	0.9
Tobacco	- 4	+ 9	- 6	+ 3	+ 3	3.0
Agricultural raw materials						
Raw cotton	+ 3	- 3	+ 4	- 2	+ 1	7.8
Raw wool	+ 2	0	+ 1	- 5	- 2	1.1
Raw jute [d/]	+ 7	+ 8	+ 6	+ 1	+ 4	2.5
Hard fibres [e/]	- 3	+ 6	+ 7	+ 7	- 3	0.9
(Man-made fibres) [f/]	(+ 5)	(+13)	(+13)	(+14)	(+ 8)	(4.4)
Fats and oils [e/]	+ 3	+ 2	+ 2	+ 4	+ 4	27
Natural rubber [g/]	+ 3	+ 3	+ 2	0	+ 5	2.4
(Synthetic rubber)	(+ 6)	(+14)	(+ 9)	(+14)	(+ 7)	(2.9)
Ores and metals [h/]						
Iron ore [i/]	+ 3	+ 1	+ 6	+16	+ 5	228
Aluminium	+ 6	+12	+11	+11	+10	5.3
Copper	+ 7	+ 2	+ 7	+11	+ 3	4.2
Lead	+ 4	+ 4	+ 4	+ 8	+ 2	2.7
Tin	- 3	0	+ 2	+ 3	- 2	0.17
Zinc	+ 6	+ 4	+ 9	+11	+ 3	3.3
Petroleum [j/]	+ 6	+ 8	+ 8	+ 7	+ 7	1,300

Sources: FAO, Commodity Reviews, 1962-66; UNCTAD Commodity Survey, 1966; Textile Organon

a/ World, excluding centrally-planned countries, unless otherwise stated
b/ For food, beverages and tobacco, and for cotton, wool and jute, figures relate to crop years beginning in year shown.
c/ Grindings
d/ Mill consumption.
e/ Apparent consumption for hard fibres and fats and oils
f/ Net available supply from 1960 to 1963; quantity processed from 1963.
g/ Including net exports to centrally planned countries
h/ Changes are measured in terms of refined lead, slab zinc, primary tin, refined copper.
i/ Pig-iron production
j/ Petroleum products

TABLE V

Annual changes in world production of selected primary commodities, 1960-65 a/

	1960 to 1961	1961 to 1962	1962 to 1963	1963 to 1964	1964 to 1965	Actual 1965
	(Per cent)					(Million tons)
Food, beverages and tobacco b/						
Wheat	- 8.5	+ 16	+ 2	+ 5	0	162
Coarse grains	- 7.5	+ 8	+ 6	- 3	+ 6	345
Rice (milled)	+ 5	+ 4	+ 7	+ 3	- 5	105
Sugar	- 9	- 2.5	+ 10	+ 13	- 1	49
Coffee	+11	- 7	- 4	- 19	+ 51	4.8
Cocoa	- 3	+ 4	+ 3	+ 26	- 20	1.2
Tea	+ 8	+ 1	+ 1	+ 5	0	0.9
Tobacco	- 1	+ 9	+ 6	+ 4	- 6	3.2
Agricultural raw materials						
Raw cotton b/	+ 2	+ 8	+ 2	+ 1	+ 1	8.3
Raw wool b/	+ 1	+ 1	+ 2	0	- 2	1.2
Raw Jute b/	+43	- 17	+ 5	- 4	+ 4	2.9
Hard fibres	- 3	+ 5	+ 4	+ 5	- 2	1.0
(Man-made fibres)	(+ 5)	(+ 13)	(+ 11)	(+ 14)	(+ 8)	(4.5)
Fats and oils	+ 4	+ 4	0	+ 6	+ 0	27
Natural rubber	+ 5	+ 2	- 3	+ 8	+ 3	2.3
(Synthetic rubber)	(+ 5)	(+ 13)	(+ 9)	(+ 14)	(+ 8)	(4.0)
Ores and metals						
Iron ore	- 3	+ 3	+ 5	+ 12	+ 9	200
Aluminium	- 3	+ 10	+ 10	+ 13	+ 6	5.1
Copper	+ 2	+ 2	0	+ 1	+ 4	4.2
Lead	- 3	+ 5	0	+ 2	+ 6	2.0
Tin	0	+ 4	0	+ 4	+ 4	0.16
Zinc	+ 3	+ 6	+ 2	+ 12	+ 6	3.3
Petroleum	+ 6	+ 8	+ 6	+ 8	+ 7	1245

Sources: FAO Commodity Reviews, 1964-1966; Textile Organon; UNCTAD Commodity Survey, 1966, Metal Statistics 1966, Metallgesellschaft.

a/ World, excluding centrally-planned countries, unless otherwise stated.

b/ For food, beverages, tobacco, and for cotton, wool and jute, figures relate to crop years beginning in year shown.

TABLE VI

Stocks of selected primary commodities, 1963-66[a]

	World[b] stocks				Stocks as proportion of world consumption[b] of year specified			
	1963	1964	1965	1966	1963	1964	1965	1966[e,f]
	(Million tons)				(No. of months)			
Food, beverages and tobacco[c]								
Wheat	49.5	41.6	41.9	28.7	4.2	3.4	3.3	2.3
Coarse grains	62.9	68.9	55.3	49.9	2.3	2.4	1.9	1.7
Rice	0.6	0.7	0.7	0.7	0.1	0.1	0.1	0.1
Sugar[d]	14.8	16.2	19.5	22.5	4.3	4.7	5.3	6.0
Coffee	3.8	3.7	3.4	4.8[e]	11.9	12.9	12.9	18.2
Cocoa	0.41	0.42	0.58	0.38[e]	4.7	4.8	6.0	3.9
Tea	0.15	0.17	0.17	0.19	2.2	2.4	2.4	2.7
Tobacco	2.5	2.6	2.7	2.5[d]	10.4	10.5	10.8	10.0
Agricultural raw materials								
Raw cotton[c]	4.5	5.0	5.4	5.9	7.6	8.0	8.6	9.4
Raw jute[c]	0.76	0.65	0.52	0.45[e]	4.0	3.4	2.7	2.3
Natural rubber[d]	0.77	0.71	0.82	0.83	5.3	4.7	5.3	5.3
(Synthetic rubber)[d]	(0.47)	(0.54)	(0.58)	(0.62)	(2.4)	(2.4)	(2.4)	2.6
Metals[d]								
Lead	0.40	0.33	0.30	0.30	1.9	1.4	1.3	1.3
Zinc	0.43	0.33	0.28	0.35	1.8	1.2	1.0	1.2

Sources: UNCTAD Commodity Survey, 1966; FAO Commodity Review, 1966; International Sugar Council, Statistical Bulletin.

a/ Data relate to stocks in the following countries - Wheat: Argentina, Australia, Canada, United States, France; Coarse grains: Argentina, Australia, Canada, United States; Rice: Far East exporters (excl. Mainland China), United States; Coffee: United States, Brazil; Tea: United Kingdom, India, Ceylon, Pakistan; Tobacco: Canada, Greece, United Kingdom, United States, South Africa; Jute: India, Pakistan; Lead and zinc: Producers' stocks plus consumers' stocks in United States, United Kingdom, Japan.

b/ Excluding centrally-planned countries.

c/ Beginning of crop year, season beginning year shown.

d/ Beginning of calendar year shown.

e/ Estimates.

f/ Consumption in 1965.

TABLE VII

Sales of industrial raw materials from the United States strategic stockpile, 1963-66

	Sales				As proportion of world consumption a/			
	1963	1964	1965	Jan.-June 1966	1963	1964	1965	Jan.-June 1966
	(Thousand metric tons)					(Per cent)		
Rubber	96	102	122		5.6	5.7	6.6	7.3
Copper	-	56	375	406	-	1.1	7.5	7.6
Lead	10	46	36	28	0.6	1.7	1.3	2.0
Tin	11	32	22	9	6.6	18.7	13.1	10.9
Zinc	-	65	244	37		2.0	7.3	2.3

Sources: UNCTAD Commodity Series 1963; FAO Commodity Review, 1966; Stockpile reports to the Congress, United States.

a/ Excluding consumption in the centrally-planned countries.

TABLE VIII

Movements in prices of exports[a/] from developing countries: 1st quarter 1962 - 3rd quarter,1966

(Indices: 1961 = 100)

		Food		Agricultural raw materials	Ores and metals	Total	Total less sugar
		Total	Total less sugar				
1962:	I	95	97	98	101	97	98
	II	97	98	98	101	97	98
	III	98	96	95	98	96	95
	IV	103	98	98	99	100	97
1963:	I	121	102	100	99	108	99
	II	144	104	102	102	119	100
	III	135	104	98	103	114	100
	IV	161	113	102	106	126	104
1964:	I	158	124	103	112	126	109
	II	142	122	101	117	120	109
	III	125	120	99	128	113	110
	IV	118	119	97	140	111	111
1965:	I	109	115	95	135	107	109
	II	105	111	96	140	106	109
	III	104	114	94	140	105	109
	IV	106	116	96	144	106	110
1966:	I	109	117	100	152	110	113
	II	106	116	102	182	113	118
	III	103	114	99	172	109	114

Source: National Institute of Economic and Social Research, London

a/ Primary produce only (excluding petroleum)

TABLE IX

Changes in market prices of selected agricultural commodities
1st quarter 1963 to 3rd quarter 1966

(Percentages)

	Share of developing countries:		Price changes from:			
	World Production [a]	World exports [a]	1963 I to 1964 I	1964 I to 1965 I	1965 I to 1965 III	1965 III to 1966 III
Food, beverages and tobacco						
Wheat: Canada	31	8	+ 6	- 5	- 2	+ 9
Australia			+ 13	- 11	+ 3	+ 8 [c]
Maize: Argentina	32 [b]	33	+ 12	+ 7	-	0 [c]
USA			+ 4	+ 10	- 5	+ 6 [e]
Rice	87 [d]	77 [d]	- 5	- 2	+ 8	+ 13
Beef	33 [d]	45 [d]	+ 38	+ 13	+ 15	- 13
Butter: New Zealand	7 [b]	2	+ 6	+ 4	- 8	- 7
Denmark			+ 10	- 4	- 5	0
Sugar: Cuba	60	76	+ 50	- 73	- 23	- 10
USA			+ 22	- 18	0	+ 4
Coffee: USA (Brazil)	100	100	+ 41	- 3	- 1	- 9
(Colombia)			+ 18	+ 4	- 1	- 3
Cocoa: USA (Brazil)	100	100	- 8	- 18	- 25	+ 65
(Ghana)			+ 2	- 17	- 28	+ 77
Tea: India	91	99	- 4	- 6	+ 52	- 33
Ceylon			- 1	+ 5	- 6	- 11
Tobacco	45	49	- 1	0	+ 4	+ 10
Oils and oilseeds						
Groundnuts	90 [b]	90 [b]	- 2	+ 25	- 6	- 8
Copra	100 [b]	100	+ 6	+ 19	- 6	- 15
Soy beans	5 [b]	-	+ 4	+ 10	- 10	+ 22
Palm kernels	100	100	0	+ 19	- 5	- 12
Palm oil	100 [b]	97 [b]	+ 8	+ 21	- 12	- 2
Linseed oil	48 [b]	88 [b]	+ 9	- 3	- 9	- 9
Olive oil	23 [b]	33.5	- 49	+ 26	- 3	+ 1
Industrial materials						
Cotton: USA	54	57	- 6	+ 6	- 4	- 6
Egypt			+ 10	+ 17	- 6	0
Wool: 64's	22	17	+ 14	- 23	+ 2	+ 13
50's			+ 27	- 27	+ 7	- 1
Jute	100	100	- 5	+ 21	- 7	+ 10
Sisal	100	100	+ 7	- 38	- 4	- 5
Cellulosic fibres	8	1	0	0	0	0
Synthetic fibres	2	1	..	0	0	0
Rubber: Natural	100	100	- 15	+ 9	- 6	- 6
Synthetic	2	1	0	0	0	0

Table IX

Sources: Monthly Bulletin of Agricultural Economics and Statistics, FAO;
International Financial Statistics, International Monetary Fund
Monthly Bulletin of Statistics, United Nations
European Chemical News, London
Public Ledger London,
Financial Times London,
Textile Organon - Monthly Review
International Tea Committee, Monthly Statistical Summary
Lowry and Co., Inc., New York
International Sugar Council, Statistical Bulletin
Cotton - World Statistics, Quarterly Bulletin of the International Cotton Advisory Committee

a/ Excluding centrally-planned countries; percentages generally relate to 1964
b/ Partly estimated
c/ Change 1965 IV to 1966 III
d/ Including veal
e/ Change 1965 III to April-May 1966

TABLE X

Changes in market prices of selected non-agricultural commodities
1st quarter 1963 to 3rd quarter 1966

(Percentages)

	Share of developing countries		Price changes from:			
	World Production[a]	World Exports[a]	1963 I to 1964 I	1964 I to 1965 I	1965 I to 1965 III	1965 III to 1966 III
Aluminium	2[b] 3[c]	..	+ 3	+ 5	0	0
Copper: LME	48[b]	67[b]	+ 8	+63	+ 8	+ 6
Chile	21[c]	60[c]	+ 2	+ 9	+11	+58
US			0	+ 9	+ 6	+ 1
Lead: LME	15[c]	30[c]	+46	+70	-26	- 6
US			+25	+23	0	- 6
Zinc: LME	8[c]	19[c]	+41	+18	- 5	-12
US			+13	+11	0	0
Tin: LME	64[c]	..	+26	+18	+18	-15
Tungsten	42[b]	60[b]	..	+84	+11	+34
PVC	1	-	..	0	0	0

Source: Monthly Bulletin of Statistics, United Nations; Lead and Zinc Statistics, Lead and Zinc Study Group; International Financial Statistics, International Monetary Fund; Statistical Bulletin International Tin Council; Preise Lohne, Wirtschaftsrechnungen, 9/1/3, Statist. Bundesamt, Wiesbaden, Germany; Metal Bulletin (London); Metal Statistics (American Metal Market); European Chemical News, London, Financial Times, London.

a/ Excluding the centrally-planned economies; percentages generally relate to 1964

b/ Ores and concentrates

c/ Metal

TABLE XI

Exports from developing countries by main commodity group and area of destination, 1963 - 65

	Change on previous year			Value in 1965
	1963	1964	1965	
Food, beverages and tobacco	(Per cent)			($ Billion)
To Developed	+13	+ 5	+ 1	7.5
Developing	+13	+14	+ 5	2.0
Centrally-planned countries	-	+29	+27	1.1
Total	+12	+ 8	+ 4	10.6
Industrial materials				
To Developed	+ 5	+ 4	+ 5	6.3
Developing	- 2	-	+10	1.1
Centrally-planned countries	+13	-11	+23	1.0
Total	+ 4	+ 2	+ 8	8.4

Source: Monthly Bulletin of Statistics, United Nations.

TABLE XII

Imports of primary produce into OECD countries, by main commodity group, 1963-65

	From developing countries				From developed market economies			
	Change on previous year			Value in	Change on previous year			Value in
	1963	1964	1965	1965	1963	1964	1965	1965
	(per cent)			($bill.)	(per cent)			($bill.)
Food, beverages and tobacco	+10	+6	-1	8.2	+8	+10	+9	13.6
Agricultural raw materials	+11	-2	+1	4.5	+7	+11	-	8.9
Minerals and ores	-1	+29	+12	2.5	+5	+15	+9	3.5
Non-ferrous metals	-	+19	+17	1.8	+8	+31	+17	3.6
Total of above	+8	+8	+3	17.1	+8	+13	+7	29.6
Fuels	+11	+10	+9	9.3	+13	+1	+2	3.6
Total	+9	+9	+5	26.4	+11	+11	+6	33.2

Source: Foreign Trade Statistical Bulletins, Series B and C, OECD, Paris

TABLE XIII

Changes in the volume[a/] of imports of primary commodities into OECD countries, 1963-65

(Percentage change on previous year)

	From developing countries			From developed countries		
	1963	1964	1965	1963	1964	1965
Food, beverages and tobacco	-10	+5	+13	+1	+6	+9
Agricultural raw materials	+10	-3	-	+2	+6	-2
Minerals and ores	-1	+26	+11	+3	+11	+6
Non-ferrous metals	+1	+6	-1	+7	+8	+5
Total of above	-3	+4	+8	+2	+7	+5
Fuels	+10	+10	+8	+12	+1	-1
Total	+1	+6	+8	+3	+6	+4

Sources: Commodity Trade Statistics and Monthly Bulletin of Statistics, United Nations; Foreign Trade Statistical Bulletins, Series B, OECD, Paris.

a/ Changes in volume have been derived by deflating values by the United Nations index of export prices for the relevant commodity group; for changes in volume of imports of non-ferrous metals from developing countries, separate estimates were made.

TABLE XIV

Imports of food and industrial materials into the main OECD countries from the developing countries, 1963-65

	Food, beverages and tobacco				Industrial materials[a]			
	Change on previous year			Value in 1965	Change on previous year			Value in 1965
	1963	1964	1965		1963	1964	1965	
	(per cent)			($bill.)	(per cent)			($bill.)
United States	+ 5	+ 7	- 4	2.4	+ 6	+ 8	+10	1.7
United Kingdom	+17	- 8	- 8	1.2	+ 2	+ 8	+ 2	1.2
European Economic Community	+ 3	+10	+ 4	3.0	+ 1	+12	+ 6	3.5
Other Western Europe	+12	+11	+12	0.9	+16	+11	+15	0.8
Japan	+60	+12	- 3	0.5	+14	+15	+ 9	1.6
Total OECD	+10	+ 6	-	8.2	+ 5	+11	+ 7	8.9

Sources: As for Tables XI and XII.

a/ Agricultural raw materials, minerals and ores, and non-ferrous metals.

TABLE XV

Exports of selected primary commodities from developing to centrally planned countries, 1963-65

	Actual			As proportion of exports to all destinations		
	1963	1964	1965	1963	1964	1965
	(Thousand metric tons)			(Per cent)		
Sugar	2,067	2,628	3,542	18	23	26
Coffee	95	108	125	3	4	5
Cocoa	108	130	172	10	13	13
Cotton[a/]	384	446	472	18	24	24
Wool[b/]	13	15	27	6	7	10
Natural rubber	537	441	455	26	20	20
Tin[c/]	2.5	3.6	2.9	2½	4	3

Sources: FAO Commodity Review, 1966; Cotton - World Statistics, International Cotton Advisory Committee: Rubber Statistical Bulletin, International Rubber Study Group; Statistical Bulletin, International Tin Council; Wool Intelligence, Commonwealth Economic Committee

a/ Exports from Brazil, Colombia, El Salvador, India, Iran, Mexico, Nigeria, Pakistan, Sudan, Syria, Tanzania, Uganda and UAR

b/ Actual weight

c/ Reported direct exports of tin metal only (excluding re-exports or transit trade)

ANNEX B[1]

II. INDIVIDUAL COMMODITY MARKETS

Introduction

27. During its first session held in Geneva from 19 July to 7 August, 1965, the Committee on Commodities concentrated its attention upon two broad categories of commodities, namely those identified as "giving cause for immediate concern" (cocoa, sugar and coffee) and those which "required close attention" (copper, cotton, iron ore, lead and zinc, rice, rubber, tea, tobacco and vegetable oils).[2]

28. In the UNCTAD Commodity Survey 1966, the chapter entitled "The Commodity Situation 1965-66" was based upon this same two-fold classification.[3] Although the commodities covered in that chapter were largely derived from the list noted above, some adjustments were made in the light of subsequent circumstances and because of the difficulties in making hard and fast distinctions between these two commodity categories.

29. Despite the difficulties of classification, however, it was nevertheless felt that the distinction was an important one. Accordingly, a resumé follows of current developments in the market situations for those commodities covered in the Commodity Survey that were considered as giving cause for immediate concern or requiring close attention. Thirteen such commodities are discussed in this connexion in the Survey, and are considered in turn below:

Commodities causing immediate concern: sugar, cocoa, coffee, copper.

Commodities requiring close attention: iron ore, antimony, tin, tungsten, lead and zinc, cotton, natural rubber and hard fibres.

1/ In order to facilitate the work of the drafting group the paragraphs in this Annex are given the same numbers as those in Annex B of TD/B/C.1/PSC/WP/L.3, new paragraphs being identified by using letters, e.g.37A and 55A.

2/ See report of the Committee on Commodities on its first session (TD/B/21/Rev.1 - TD/B/C.1/16/Rev.1, paragraph 40).

3/ See TD/B/C.1/23, Chapters 2 B and 2 C.

Note

Canada has commented as follows: "It is our view that the annual summary prepared by the Permanent Sub-Committee should probably concentrate its attention on those commodities designated by the previous session of the Committee on Commodities as either "causing immediate concern" or "requiring close attention"; thus paragraph 29 of the document in question might be revised in accordance with paragraph 40 of TD/B/21 which designates in the first category, cocoa, sugar, coffee; and in the second category copper, cotton, iron ore, lead and zinc, rice, rubber, tea, tobacco and vegetable oils. The draft summary doesn't at present include sections on four commodities - rice, tea, tobacco and vegetable oils - which were designated by the first session of the Committee on Commodities as requiring close attention. We assume that you might wish to include in a revision of the present document sections on these commodities. If, in the light of the discussion which took place during the Permanent Sub-Committee session, it is still your intention to include sections on commodities which were not identified last year by the Committee on Commodities (antimony, tin, tungsten and hard fibres) then perhaps these could be contained in a separate section as commodities which the Secretariat thinks the Committee might also wish to consider. It might also facilitate the work of the Committee if the Secretariat were to include in such a section a brief review of the other commodities mentioned by certain delegations during the first session (shellac, mica and sultana raisins)."

Commodities causing immediate concern

Sugar

30. Substantial price instability has characterized the free or residual international sugar market ever since the economic clauses of the International Sugar Agreement ceased to operate at the end of 1961. This instability arises mainly from fluctuations in production, especially in the beet producing countries, and is accentuated by structural characteristics of the world sugar market, including the fact that domestic production in the net importing countries is widely protected against competition from imports. International trade in sugar accounts for barely a third of world consumption and of this third an important proportion (approximately one-half) enjoys protection under special marketing arrangements, such as those regulating imports into the United States, shipments under the Commonwealth Sugar Agreement, and those covered by the agreement between Cuba and the Soviet Union. As a result, in years of high production most of the surplus tends to find its way on to the free market and in years of low production it is from this market that supplies are withdrawn.

31. During recent years a number of new problems have been superimposed upon this inherent instability. A drastic discontinuity in the market structure occurred in the second half of 1960 when the United States ceased importing sugar from Cuba, the world's largest sugar exporter. Cuba then redirected its exports towards the centrally planned countries, while to fill this large gap in its supplies, the United States expanded its output and imported large quantities from other suppliers. Over the decade 1954 to 1964 there was also a general upsurge in world production. In the centrally planned countries this was matched by increased consumption, but in the developed market economies production grew more rapidly than consumption and the deficit (7.5 million tons in 1953-55) has since been narrowed by a million tons. In the developing countries, mainly low cost cane producers, the surplus increased from 7.0 to 9.1 million tons during the period, an increase almost equal to the emerging excess of world production over world consumption. Over the decade as a whole, sugar production in the developed market economies rose at virtually the same rate as that in the developing countries.

32. The normal tendency for sugar is for production to rise faster than consumption, but the increased off-take generated by low prices can lead to temporary shortages and high prices. The stabilization that the world sugar economy needs can only be achieved if the increase in the rate of production is more closely geared to the increase in

the rate of consumption. Within this framework, there is the special problem of achieving a more rational distribution of the world's resources by allowing the developing exporting countries an increasing share in the domestic markets of the developed importing countries.

33. The current situation is one of surplus, heavy stocks and very depressed prices. Indeed, free market prices during the past year had reached the lowest recorded for a quarter of a century. Two years of production shortfall had brought the average price in the free market in 1963 to 8.3 cents a pound (f.a.s. Cuba basis) after which two years of production surplus brought the average price close to two cents a pound in both 1965 and the first half of 1966 and to close to 1.5 cents in the third quarter of 1966. These prices are far below average costs of production in any country, with obvious implications posed for countries selling a high proportion of their sugar on the free market.

34. In view of the serious imbalance between supply and demand, a United Nations Sugar Conference was convened in September 1965 to consider a new international sugar agreement to replace that of 1958, the economic provisions of which had lapsed at the end of 1961. Among measures suggested by the Executive Director of International Sugar Council and considered by the Conference were:

(i) undertakings by importing countries to buy specific quantities at prices not less than the minimum, and by exporting countries to sell these quantities at prices not higher than the maximum;

(ii) undertakings by developed importing countries to meet from imports at least 50 per cent of any increased consumption;

(iii) undertakings by all producing countries to adjust their production in the light of the objectives of and obligations under the Agreement and, where necessary, to adopt appropriate production programmes;

(iv) provision for the International Sugar Council to consider concessional sales to developing importing countries where the potential for the expansion of consumption is greatest but whose needs cannot yet be satisfied within the price objectives of the Agreement.

In considering these measures the Conference directed its attention to the need stressed by the Secretary-General of UNCTAD for a practical system of production control which would make it possible to adjust supply to the gradual growth of demand and to the possibility of an emergency "standstill" agreement which would stabilize world sugar production at about its present volume, until increased consumption made it possible to reduce stocks to a more normal level.

35. The Conference concluded its session on 14 October 1965. In the absence of an agreement it requested further technical and policy consultations with governments of countries participating in the Conference and proposed the convening of a second session in the spring of 1966 or as soon thereafter as a successful outcome seemed likely. In the pursuance of this request, the Secretary-General of UNCTAD met in March and May 1966 with a Sugar Consultative Committee comprising consultants from a number of countries and the Executive Director of the International Sugar Council. Views were exchanged on problems of the world sugar trade and possible remedial measures. After the consultations in March 1966, it was decided that insufficient progress had been made to warrant the re-convening of the Conference in the spring. At its meeting in May 1966, the Consultative Committee suggested that a Preparatory Working Group be set up (i) to consider whether an interim sugar arrangement was desirable and negotiable and, if so, to prepare the outline of such an arrangement, and (ii) to report on the general content of a comprehensive long-term international sugar agreement. The Preparatory Working Group subsequently established held its first meeting in June; at this meeting the possibility of an interim agreement of limited scope was considered but was not found generally acceptable. At further meetings in September and November consideration was given to certain problems relating to a long-term agreement. Meanwhile, an effort was made in March 1966 by a group of exporting countries members of the International Sugar Council to pursue constructive marketing policies aimed at improving the free market price in the short-term and as a first step not to sell sugar below the equivalent of 2.50 cents a pound. However, the group was unable to prevent the market price from falling to a new low level during June and decided not to proceed further with this scheme.

36. As in 1963, unlooked for developments and steeper consumption increases due to low prices could produce temporary shortages and high prices at any time. On the other hand, the over-all trend may still be one of surplus. Moreover, under the combined effect of the tendency to self-sufficiency in many countries and the emergence of new exporting countries, outlets for traditional exporting countries, many of them developing countries heavily dependent on the export of sugar, are shrinking by comparison with total production. Under these circumstances, there is a strong case for a limitation of production increases in developed importing countries. Further, to give time for consumption to expand over the longer term, some restraint on production increases in the immediate future is in the interest of the exporting countries themselves.

37. Sugar exports account for a large part of the foreign exchange earnings in many developing countries where costs of sugar production are often low, where alternative employment possibilities are limited, and where plans to increase production are important elements in their economic development programmes. Nonetheless, the longer-term outlook for sugar requires closer co-ordination of policies between developing and developed countries in order to achieve a smoother process for adaptation to the rate of growth in world demand.

37A. The seriousness of both the short-term and the long-term prospects for sugar underlines the extreme importance of further collective efforts towards resolving these important problems.

Note

Canada has expressed the view that paragraph 36 of TD/B/C.1/PSC/WP/L.3 - "referring to possible solutions to sugar problems goes somewhat beyond the proper scope of the summary", and "would prefer to see it deleted".

Cocoa

38. Production of cocoa beans is subject to wide annual variations; during the past decade, for example, the world cocoa crop has fluctuated, on average, by plus or minus 12 per cent per year. The slow and hesitating recovery immediately after the second world war gave way to a more rapid pace in the 1950's and to a considerable expansion so far in the 1960's. The remarkable uptrend in production in recent years has been almost entirely in Africa, and reflects essentially the coming into bearing of trees planted in the 1950's when prices were high, coupled with intensive spraying of the plants against disease and pests.

39. Though emphasis on the consumption of cocoa beans has been stimulated by lower prices in recent years, the rate of increase has been somewhat less than that of production. In all seasons from 1958/59 to 1964/65, production exceeded consumption, and stocks continued to rise; by mid-1965 world cocoa stocks had represented over five months' consumption at the current rate. The annual average spot price of Ghana cocoa beans in New York was 25.3 cents a lb. in 1963 and 23.4 cents in 1964. However, as a result of the substantial increase in world production during 1964/65 - which was some 26 per cent higher than in the preceding crop year - prices declined sharply, during the first half of 1965, the monthly average price falling to 12.2 cents a lb. in July 1965. As consumption responded to lower prices and a smaller 1965/66 crop

was anticipated, prices began to recover but the average for the year 1965 was only 17.3 cents a lb. The latter represented the lowest postwar level since 1946 and, in terms of real purchasing power, the lowest since the depression years of the 1930's.

40. Production in 1965/66 is now estimated at 17 per cent less than in 1964/65 (though still slightly larger than in 1963/64), while consumption in 1966 is anticipated to exceed production for the first time since 1959. Prices continued to increase until August and spot prices of Ghana cocoa beans in New York averaged 24.4 cents a lb. during the first nine months of 1966. The first forecast of the Committee on Statistics of the FAO Study Group on Cocoa for production in 1966/67, though higher than production in 1965/66, was substantially below the 1964/65 record. Grindings in 1967 are expected to remain at a high level. Taken together the forecasts indicate a further reduction in stocks.

41. Of major concern to producing countries is the fact that while the volume of exports increased substantially in the 1960's, the trend in value has been downwards, and there have been considerable fluctuations round this trend. In 1965, for instance, despite a 27 per cent increase in the volume of world exports of beans, the total value declined by about 4 per cent, export earnings being reduced by the equivalent of $20 millions. For Ghana, the leading producer (where cocoa accounts for some two-thirds of total export values), the volume of exports in 1965 was, on the basis of prelininary data of export beans, 29 per cent higher than in 1964, whereas the value was virtually the same. For Nigeria, the second largest producer, the export volume rose by 56 per cent between 1964 and 1965, but the value increased by only 5 per cent.

42. The immediate problem is essentially to achieve a stabilization of the price within limits acceptable as remunerative to producers and as reasonable to consumers. Production, concentrated to a considerable degree in four West African countries, is subject to large variations, partly for climatic reasons. Because demand is relatively price-inelastic, these variations tended to cause more than proportionate price changes in the opposite direction. Moreover, the market - which contains at times a considerable element of speculative transactions - reacts to crop expectations before the final outturn is known and this tends to exaggerate the extent of the price fluctuation.

43. The longer-term outlook is more difficult to assess, because of the lack of adequate data on existing tree numbers, new plantings and their productivity levels. Given their long gestation period, once trees are planted, production is to a large extent determined for a considerable period ahead. A review of recent planting rates

indicates the likelihood of a further increase in production during the remainder of the present decade, though the rate of increase is somewhat uncertain. The trend of demand is also expected to be upward. Since failure to achieve a longer term balance between the two could have drastic repercussions on prices, policy needs therefore to be directed to the expansion of consumption - in centrally-planned and developing as well as in developed market countries - while, at the same time, attempting to achieve a smoother mechanism of adjustment in world supplies.

44. In view of the seriousness of the world cocoa situation, a United Nations Cocoa Conference was convened on 23 May 1966 following four meetings of of the Working Party on Prices and Quotas held between June 1965 and March 1966.[1/] The fundamental objective of any scheme, as had been pointed out by the Secretary-General of UNCTAD in a statement to the Working Party at its March 1966 session[2/], should be first to counteract the effects of fluctuating supplies caused by climatic conditions and fortuitous market forces, in order to attenuate the fluctuations in the prices of cocoa; and, second, to stimulate consumption. To achieve these objectives, the Secretary-General of UNCTAD suggested a harmonious combination of different but interdependent elements, namely:

(i) a range of prices, comprising a ceiling and a floor price;

(ii) the operation of a buffer stock (for operation during the season) and a reserve stock (to buy unsold supplies at the end of the season), together with appropriate means for their financing;

(iii) a system of sales or export quotas; and

(iv) diversion of any residual surplus to non-traditional uses.

45. The Conference, which met from 23 May to 23 June 1966, agreed that a new international arrangement for cocoa should contain provisions on the lines suggested by the Secretary-General of UNCTAD. Appreciable progress was made on a number of major issues, although divergencies still remain on certain important problems. In particular, agreement was not reached on the level of the floor price though even on this the views of producers and most consumers were not far apart. In view of the

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1/ The reports of the four meetings are contained in documents TD/B/C.1/4, TD/B/C.1/53 and Corr.1 and TD/COCOA.1/WP.1/2.

2/ See TD/COCOA.1/WP.1/2

need for further time to develop the mechanism of a comprehensive agreement, the Conference invited the Secretary-General of UNCTAD inter alia to arrange consultations with interested governments and appropriate specialized agencies of the United Nations, and also studies of particular provisions by technical working groups, if he considered this useful, and after assessing the results of the consultations to convene a meeting of a negotiating group to consider carefully the possibilities of arriving at an agreement. On the basis of these actions and after reporting to the Trade and Development Board or its Committee on Commodities the Secretary-General of UNCTAD was invited to reconvene the Conference.1/ In accordance with this invitation, the Secretary-General held policy consultations with principal cocoa importing and exporting countries in September 1966 during the course of the first session of a Technical Working Group at which problems relating to quotas and terminal markets were discussed. Further consultations are scheduled to be held in late November.

/46. The Committee expressed concern that the Conference had not succeeded in concluding an agreement and urged that every effort be made to achieve in the shortest possible time both unanimity on the prices to be inserted in the agreement and on the other provisions on which so large a measure of agreement had already been reached./

Coffee

47. Current concern with coffee arises from the substantial excess of production over world consumption, which is expected to continue over the next decade. Stocks on hand currently amount to some 4.5 million tons (or more than a year's requirements) and in the absence of corrective measures an additional amount of similar magnitude might well accumulate by 1971/72. Coffee is, by value, the single largest commodity entering international trade, excluding petroleum; it is exported only by developing countries, and makes a large contribution to the export earnings of a great number of developing countries.

48. The problems of coffee are not new; important steps towards their solution were taken when the International Coffee Agreement negotiated at the United Nations Coffee Conference in 1962 entered into force in the following year. This Agreement was designed to stabilize prices in the short and medium term through export quotas, whilst attacking the basic long-term problem by measures to increase consumption and to control production.

1/ TD/B/81.

49. The recent evolution of prices reflects mainly the fluctuations in production and the degree of export restriction imposed under the Agreement. Although there were a number of difficulties in determining export quotas in the early years of the Agreement, the control measures have helped considerably in achieving a reasonable balance between supply and demand in the short-term and in avoiding sharp price fluctuations. Recently, problems have related to so-called "tourist" coffees, which for one reason or another have evaded controls. It is hoped that the decisions taken by the International Coffee Council at its eighth session held in August and September 1966 to strengthen the Certificate of Origin system and to regulate imports of coffee by Members from non-member countries, will improve the situation. The availability of these "tourist" coffees has contributed to some weakening of prices. Considering particularly the large production increase in 1965/66, operation of the Agreement has so far kept prices remarkably well under control. To meet the long-term problem, the International Coffee Council launched a campaign to promote consumption, and has urged consuming countries to reduce or eliminate internal taxes and import tariffs on coffee.

50. The Agreement requires producing members to adjust production to the amount needed for domestic consumption, experts and stocks. Although no fixed production targets have yet been set, considerable preparatory work has been done with a view to introducing by stages a programme for balancing world production and consumption by 1971/72. Meanwhile, national programmes for checking the expansion of production and for diversification are being supplemented by international organizations. One important example of international co-operation involves the November 1965 agreement signed by the International Coffee Organization, the Food and Agriculture Organization and the International Bank for Reconstruction and Development to study the problems involved in shifting some of the resources now used for producing coffee into other profitable uses. The establishment of a fund totalling $300 million (drawn mainly from contributions by member exporting countries) is also under examination to help countries finance diversification programmes. Importing Members and international financial institutions are expected to co-operate in this task. Because it is considered vitally important to deal with the growing problem of mounting coffee stocks in a number of countries the International Coffee Council established the principle at its eighth session that all waivers of quota obligations to be granted from then on should be on the basis of effective contribution to the solution of the world coffee problem, for example, by setting aside a portion of the associated foreign exchange earnings to finance diversification.

51. Unless the chronic imbalance between production and consumption is redressed, the effective operation of the International Coffee Agreement will be subjected to heavy strains and the world coffee economy will be faced with the threat of unstable and declining coffee prices with their attendant repercussions upon the export earnings of a large number of developing countries. Close and continued international co-operation over the coming years appears imperative in order to correct this underlying imbalance.

Copper

52. Since 1964, the international copper market has been characterized by a shortage of supplies in relation to demand, a multiple price structure, a very substantial rise in prices generally, and marked fluctuations in "free market" prices (i.e. prices for copper not marketed at fixed producer quotations). These factors have substantially enhanced the short-run export receipts of the developing producing countries, but have caused serious concern in consuming countries, and at the same time have weakened copper's competitive position in relation to alternative materials.

53. The background to the present situation is briefly as follows. From 1960 to 1965 consumption of refined copper (primary and secondary) in the world, excluding the centrally-planned countries, rose by nearly one-third from 3.8 to 5.0 million tons.[1/] The largest yearly increase (500,000 tons) took place in 1964, bringing to an end a period of over-supply and output restrictions. Nearly half the total increase in consumption since 1960 occurred in the United States, where consumption has increased by about 8 per cent annually, on average. The rate of increase in Western Europe was much lower (about 2 per cent per annum). World mine production of copper (metal content) rose by 10 per cent in the period 1960-65, from 3.8 to 4.2 million tons. Virtually the whole of this increase took place in developed countries, whereas production in developing countries remained almost constant at just under 2 million tons. Production was severely affected from time to time during the period by strikes. World production of refined copper (primary and secondary) rose from 4.2 million tons in 1960 to 5.2 million tons in 1965; much the largest increase was in the United States, but output also rose generally in other areas. Supplies in the United States have also been increased by releases from government-held stocks.

1/ Owing to a lack of uniformity in world copper statistics, the figures quoted in this paragraph may differ from those given in other sources.

54. From January 1964 to April 1966 the price structure for primary copper was divided into three broad sectors, (i) producers' prices inside the United States (ii) producers' prices outside the United States, and (iii) London Metal Exchange prices (covering perhaps 15 per cent of total supplies). During this period the United States price rose from 31 cents per lb. to 36 cents per lb., while producers' prices outside the United States rose from £236 per long ton (29.5 cents per lb.) to £336 per long ton (42 cents per lb.). The London Metal Exchange price (cash wirebars) rose from £236 per long ton (29.5 cents per lb.) at the beginning of 1964 to an all-time peak of £787. 10s. per long ton (98.4 cents per lb.) on 5 April 1966.

55. **A new phase in copper pricing** began in April 1966. On 14 April 1966, Chilean producers raised their price from £336 to £496 per long ton (42 to 62 cents per lb.). Shortly afterwards, Zambian and some other producers discontinued their fixed price policy and reverted to selling at London Metal Exchange prices. A period of some confusion followed, during which a multiplicity of prices was quoted by different producers. Subsequently, most producers outside the United States have come to base their prices on London Metal Exchange quotations, either directly or by adjusting their prices from time to time to follow the trend of the London market. Prices on the latter, which had for over two years reflected the strong demand for marginal supplies of copper not available at producer prices, dropped sharply as soon as the Exchange reverted to its position as the pricing mechanism for a substantial proportion of world output. By 23 August the cash price had fallen to a low point of £355. 10s. (44.4 cents per lb), or less than half the peak reached in April. However, prices have since moved upward again, mainly as a result of production difficulties in Zambia caused by a shortage of coal supplies from Rhodesia; at the end of October 1966, the London cash price was £478 10s. (59.8 cents per lb.). The United States domestic price has remained generally at 36 cents, although two of the smaller producers have been selling above this level since September.

55A. No summary of the copper situation would be complete without a reference to the political and industrial factors which have so frequently caused supply difficulties and market uncertainties in the past. Subject to these factors, there appears little doubt that current development projects throughout the world should be adequate to meet the expected future growth of demand. The most noteworthy of these investment efforts is that being undertaken in Chile, with the aim of doubling that country's production rate by 1970. A return to a more balanced relationship between world supply and demand, once achieved, would enable the industry to tackle with a greater hope of success the problems of prices (both their average level and their stability) and substitution.

Note

Canada has expressed the view that paragraph 55 as it appeared in TD/B/C.1/PSC/WP/L.3 "goes beyond what we believe to be the proper scope of the summary and should therefore be deleted."

Commodities requiring close attention

Iron ore

56. The situation in the iron ore market gives cause for concern since prices have been weakening since the beginning of the current decade, while the prospects are that excessive iron ore supplies may emerge by 1970, and the export incomes of some developing countries may be particularly affected in the event of a further decline in iron ore prices.

57. World trade in iron ore has expanded more rapidly than production since 1960, so that a higher proportion of ores produced is now traded internationally. The increased demand for iron ore has been met partly by opening up new, high-grade deposits outside the consuming areas. Thus, the average grade of ores entering international trade has been increasing over the past decade. The wider use of new iron and steel making techniques and the high ratio of transport cost to ore costs, has resulted in pressure for beneficiation and pelletization[1/] of iron ores. The developing countries' share of world production has increased from 11 per cent in 1953-55 to 21 per cent in 1965. Their share of world trade has also increased over this period, though more recently it declined from a peak of 52 per cent in 1960 to a little under one-half. The centrally planned economies generally form a self-contained unit in iron ore trade, and the main import markets are the United States, Western Europe and Japan. In the United States, the wider use of beneficiation and pelletization has resulted in an increase in the consumption of domestic ores, and its relative importance as a market for iron ores coming from developing countries has declined as a consequence. Moreover, United States imports have increasingly been drawn from Canada, so that its imports from developing countries have fallen in volume terms. In Western Europe, the growth of domestic production of iron ore has been moderate, and total imports by 1964 accounted for nearly half of total consumption. Japan, whose domestic ore production is very small in relation to its requirements, remains a major market. A large part of Japanese imports have in the past come from Asian countries, but the development of major new sources in Western Australia will increase competition in that market.

1/ For an explanation of these terms see UNCTAD Commodity Survey, 1966 (TD/B/C.1/23/Add.2).

58. The prospects of additional supplies from new mines in Australia and Africa and the expansion of existing mines in some Latin American countries implies that competition is likely to become sharper and that iron ore prices will continue to remain under pressure. However, exporting countries with enough installed pelletizing capacity should be better placed to compete on the international market and to obtain relatively better prices, since consumers are likely to require better quality ores as an aid to reducing costs in steel making. Nevertheless, at present almost all pelletized capacity is installed in the developed market economies of the world and in the Soviet Union. In 1965, Peru was the only developing country with a pellet plant in operation, while the capacity being built in developing countries at the beginning of 1966 accounted for less than 8 per cent of the total under construction in the world.

/59. In view of the potential surplus supplies of iron ore, international policy should be directed towards co-ordinating current plans for increasing production in the various producing countries./

Note

/Canada has expressed the view that paragraph 59 "goes beyond what we believe to be the proper scope of the summary and should therefore be deleted".

/India has proposed the following addition to the end of paragraph 59:

> "In this connexion, thought may be given to holding consultations among interested producing countries with a view to reviewing the current market situation regarding iron ore and, if possible, arriving at certain arrangements for stabilizing the market for iron ore."

The United States has proposed that paragraph 56 be replaced by the following:

> "During the first half of the Development Decade, the situation in the iron ore market has been affected by fast growing consumption, by significant changes in technology which have increased the demand for high grade and beneficiated ores, and by entry into the market of important new sources, especially in developing countries. Increasing competition has brought prices under pressure."

Paragraph 57: replace "and its relative importance as a market for iron ore has declined as a consequence" in the fourth sentence from the end of the paragraph by the following:

"and its relative importance as an import market for iron ore may decline."

Antimony

60. Production and consumption of antimony ore have increased substantially during the present decade. As these movements have not been uniform or steady, however, there has been frequent imbalance between supply and demand, and resulting price instability. Ore prices reached a very high level in 1964 but have declined fairly continuously since then.

61. Factors contributing to variability in the demand for newly-mined antimony include the following:

(i) antimony has a specialized pattern of end-uses, including some important military uses, and different variations in the demand for the various end-products result in wide variations in annual consumption levels;

(ii) recovery of secondary antimony is high and fairly inflexible, so that variations in total demand require a more than proportionate adjustment of new mine output.

62. On the supply side, difficulties of adjustment to demand have been caused by:

(i) wide fluctuations in exports from mainland China (the world's largest producer);

(ii) the fact that a considerable tonnage of antimony is mined in association with other metals (especially lead), the production of which is not necessarily related to consumption patterns for antimony;

(iii) the small-scale nature of many antimony mining operations; and

(iv) a lack of adequate statistical data.

63. From 1960 to 1962 antimony prices increased gradually in response to steadily improving demand and this movement quickened in 1963 primarily as the result of a decline in exports of antimony from mainland China to Western Europe and Japan. In 1963 quoted prices in the United States for imported ore (minimum 60 per cent antimony) were in the range of $390-$470 per short ton of contained antimony, compared with $250-$350 in 1960. By the end of 1963 exports of antimony from mainland China

to Western Europe had virtually ceased, and the resulting shortage of metal, coupled with increasing demand, pushed prices sharply upward in 1964, the price for imported ore in the United States rising to as much as $875 per ton.

64. The fall in antimony prices from the 1964 peak has resulted partly from increased mine output, particularly in developing countries, and partly from the resumption of exports from mainland China on an increasing scale. A contributory factor was the release for sale in October 1964, of 5,000 tons of antimony from the United States stockpile; less than half this quantity was sold at the time of release, and the balance is currently available for sale at fixed prices. In October 1966 quoted prices in the United States for imported ore (minimum 60 per cent) were in the range $530-$540 per ton.

Tin

65. The current problem in tin is how to close the gap between output and requirements, which is at present being filled by sales from the United States strategic stockpile. At the present rate of stockpile deliveries the surplus currently available for sale will be exhausted within four to five years. The problem of production has been receiving very close attention from the International Tin Council, which set up a Standing Committee on Production in November 1964 to consider administrative, economic and technical aspects of the matter.

66. From the end of 1957 to the third quarter of 1960, mine production of tin in the world, excluding the centrally-planned countries, was sharply reduced as a result of the export limitations imposed under the International Tin Agreement. Since 1960 production has recovered relatively slowly; increases in output in Malaysia, Thailand and elsewhere have been to a considerable extent offset by the low rate of output in Indonesia and the Democratic Republic of the Congo. The rate of increase in metal consumption has been even lower than that in mine production during this same period. Consequently, the gap between production and consumption has narrowed considerably: i.e. from approximately 21,000 tons in 1961 to 13,000 tons in 1965 and 4,000 in the twelve months ending 30 June 1966. However, this improvement in the statistical position has been offset by the change-over in the trading position of the centrally-planned countries in relation to the rest of the world, which shifted from a net export of nearly 6 thousand tons in 1961 to a net import of some 3 thousand tons in 1965.

67. From November 1964 to early July 1966 the floor and ceiling prices for tin under the International Tin Agreement were £1,000 and £1,200 per long ton, respectively. However, the market price for tin remained almost continuously above the ceiling price during this period and did not re-enter the range of prices under the Agreement until July 1966, when the floor and ceiling prices were raised to £1,100 and £1,400 per long ton respectively. The lower sector of the new price range is £1,100 - £1,200 and if the price of cash tin falls below £1,200 the manager of the buffer stock is authorised by the Agreement to buy tin if he considers it necessary to prevent the market price from falling too steeply. The average LME cash price in 1965 was £1,413 per ton. In 1966 prices have gradually drifted lower; the average price in the first ten months was £1,315 and in October £1,218. Early in November the price dropped below £1,200 on certain days, giving the buffer stock the possibility of intervening in the market for the first time since October 1963, when its holdings of metal became exhausted.

67A. Since September 1962, sales from the United States strategic stockpile have helped to close the gap in supplies and have had a continuing and important effect on prices. The United States Government has held frequent consultations regarding stockpile disposals with the International Tin Council and with the governments of the principal tin-producing countries. The most recent consultations with the International Tin Council took place in October 1966. A principal object of the Council was to discuss the problems which could arise if the United States Government were to sell tin at the same time as the Council, under the provisions of the Agreement, was buying tin. The Council was informed that the United States Government agreed in principle to moderate its tin sales programme if it should be inconsistent with the contingent operations authorized under the Agreement, and co-ordination between the International Tin Council and the United States Government for this purpose was arranged. The United States Government also reaffirmed that, in formulating disposal programmes, it would take into account the effects on the investment of capital in exploration and development of new tin supplies and the need to foster the health and growth of the world's tin industry.

68. If recent trends in world consumption and net imports by the centrally-planned countries continue, a basic question is the rate at which world production should expand to meet over-all requirements, and this question is under continuous and close study by the International Tin Council. [Policy needs to be directed to maintaining

prices at a level which will encourage the necessary increase in output, without at the same time intensifying the efforts which are being made to substitute other materials for tin in many uses./

Note:

The United States proposed the deletion of third and fourth sentences of paragraph 67 as they appeared in TD/B/C.1/PSC/WP/L.3, namely:

> "The average LME cash price in 1965 was £1,413 per ton; in 1966 prices have gradually drifted lower, the current level being about £1,280. The buffer stock of the International Tin Council has been unable to intervene in the market since October 1963, when its holding of metal became exhausted."

and the insertion of:

> "Given the great imbalance between supply and demand, particularly in 1962 and early 1963, the buffer stock was unable to control the rise in prices and its holdings of metal became exhausted in mid-1963."

The United States also proposed that the last sentence of paragraph 67 (as it appeared in TD/B/C.1/PSC/WP/L.3) should read:

> "The tonnages offered by the United States from the strategic stockpile helped to close the gap in supplies and have had a moderating effect on prices."

Tungsten

69. Tungsten ore prices have fluctuated widely over the past decade. Over the period from 1960 to 1965 the highest annual average price as reported by the Metal Bulletin (London) was about three times that of the lowest. The price for the first nine months of 1966 was about 40 per cent above the 1965 average.

70. The price of tungsten, like that of many other industrial commodities is influenced by the level of industrial demand and by the availability and price of substitutes. During the period of reduced demand and low prices in 1962 and 1963, production dropped somewhat, due to the curtailment or closing down of some operations. Beginning in 1964, industrial demand increased both for tungsten and its principal substitute, molybdenum; tungsten production was, however, slow in adjusting to this increased demand and a relatively tight supply position developed in some countries. In 1965 and the first half of 1966, supplies have been augmented by larger production and by releases from government stockpiles: imports into Western Europe and Japan from the centrally-planned countries have also increased.

71. Other factors contributing to tungsten price instability include: (a) variations in the level of demand for other minerals which are co-produced with tungsten, e.g. tin; (b) the sporadic and uncertain levels of exports from certain centrally planned countries; (c) the lack of adequate and representative price information and (d) the difficulty of assessing market conditions, particularly by the many small producers in the industry. Assessment is complicated by lack of comprehensive data on tungsten production, consumption, trade and stocks, particularly for the centrally-planned countries, some of which are large producers.

72. The UNCTAD Committee on Tungsten, at its fifth session in May 1966, took a number of actions designed to improve the adequacy and quality of pertinent information relating to the industry and to disseminate such data on a timely basis. The Committee determined to make special efforts to improve the representativeness of price quotations published in the trade journals. The Secretariat was requested (a) to publish a quarterly statistical bulletin on tungsten; (b) to publish a quarterly bibliography of economic, scientific and technical information relating to tungsten, based on data received from members; and (c) to send to member Governments a questionnaire concerning the establishment of an International Tungsten Institute. The preparation of the first issue of the statistical bulletin and efforts to improve the representativeness of price quotations are under way.

73. The UNCTAD Committee on Tungsten also decided at its fifth session to defer further consideration of a commodity arrangement, having regard to the changed market conditions, the need for additional information and the desire to explore alternative possibilities. Current developments in tungsten are being closely followed by the Committee at its regular sessions and by its Working Group between sessions.

Lead and zinc

74. During the first half of the Development Decade world production and consumption of both lead and zinc have increased markedly. Upward movements, however, have not been uniform and prices have fluctuated. Complexities connected with the fact that lead and zinc are usually produced jointly complicate the problems which producers face in adjusting output to market demand.

75. The increased demand in industrialized countries other than the centrally-planned economies, which began early in the Development Decade, has been met in part by reduction in producers' stocks (especially in the United States), increases in imports from the centrally-planned economies and increased production in both developing and

developed countries. In the United States, where consumption of both metals has been buoyant, releases of both metals from government-held stocks were necessary to help meet increased demand. These releases also eased the short supply situation outside the United States. Lead and zinc import quotas in that country, which had been in effect since October 1958, were removed in October-November 1965.

76. As production expanded to meet the heavy demand for lead and zinc, prices began to decline. The monthly averages of the daily settlement prices on the London Metal Exchange were £91.7 per long ton for lead and £98.4 per long ton for zinc in September 1966. Although lower than the level of prices a year ago, these prices are higher than the average for any month during the present decade up to and including June 1964 in the case of lead, and January 1964 in the case of zinc. Prices of both metals have tended to be more stable in recent years. The price of lead in the United States was unchanged at 16 cents per lb. between December 1964 and May 1966, when it was reduced by 1 cent per lb; a further reduction of 1 cent per lb. was made in October 1966. The price of zinc f.o.b. E. St. Louis has been unchanged since October 1964. The introduction in 1964 of the producers' price for zinc outside North America has given this metal a substantial measure of price stability. Lead prices on the London Metal Exchange have fluctuated during the last year within the comparatively narrow range of £93 and £109 per long ton.

77/78. Current developments in the lead and zinc market are being closely watched by the International Lead and Zinc Study Group. The Study Group held its tenth session in November 1966, at which time it reviewed the current situation and prepared estimates of supply and demand up to the end of 1967. It was expected that there would be an approximate balance between lead supplies and consumption in 1966 and that there would be a small surplus of zinc in that year. The outlook for 1967 was for emerging over-supply of both metals. After reviewing the situation and outlook, the Group drew attention to the desirability of applying liberal trade policies and discussed the question of price stabilization. The Study Group has embarked upon a number of studies which are designed to give member governments more adequate information with respect to lead and zinc. Two of these studies - relating to price mechanisms and consumption patterns - have been published. Other studies, including long-term estimates of demand and supply, the role of scrap, and factors affecting the adjustment of supply to demand are being actively pursued.

Cotton

79. Though world production and consumption of cotton have both increased during recent years, production has shown a persistent tendency to outrun demand, with a consequent downward pressure on prices. Since 1962, stocks have been growing and the further excess of production in 1965/66 has resulted in the highest level of world stocks since 1945 - about 6.5 million tons equivalent to seven months' consumption at current rates. The bulk of surplus stocks are carried in the United States.

80. World output of cotton has increased despite the downward trend of prices. In the United States, a slight rise in output has in recent years resulted from a sharp rise in productivity which more than offset a reduction in the area planted; in many other countries, both area planted and yield have increased.

81. Developments in the world cotton market have been substantially affected by policies in the United States. For many years, the United States Government has, in effect, determined the prices at which United States cotton was sold at home and abroad, and has exercised an important influence in the world market for all qualities of upland type cotton. Producers in other countries have been able to market their cotton at slightly below the United States export price, the United States assuming the role of residual supplier, providing international markets with a certain measure of short-term stability. In these circumstances, the United States has periodically found itself with declining exports and rising stocks. By the end of the 1965/66 season, stocks in the United States amounted to almost 15 per cent more than a year's crop and well over half of total world stocks.

82. Competition from man-made fibres (especially the non-cellulosics) has slowed the growth of cotton consumption in industrialized countries. While world cotton consumption rose by only 18 per cent between 1956 and 1965, that of man-made fibres increased by 113 per cent. Consequently, the share of cotton in world apparel fibre consumption declined from 68 to 56 per cent. Cotton consumption in developing countries is extremely low on a per capita basis but is expanding.

83. The market for extra-long staples - exported almost entirely by developing countries - has continued to present certain special problems; being used for high quality and specialized goods, their prices are higher than those of shorter staples. Prices have been subject to considerable price fluctuations resulting mainly from variations in production. In addition, synthetic fibres have been displacing

extra-long staples in fine spinning and in a number of specialized uses. Recent technical developments in spinning have also facilitated substitution between extra-long and shorter staples (and vice versa) in some uses, and while this might reduce the degree of instability of prices for extra-long staples, it might also reduce the premium which these cottons had usually enjoyed. Although stocks in 1966 were high, they were not at burdensome levels. Despite competition from man-made fibres and other types of cotton, world trade in extra-long staples is being maintained by increased exports to the centrally-planned countries, and supply and demand is in approximate balance. Prices, though lower in 1965-66 than in the previous season and still weak at the opening of the 1966/67 season, have been somewhat less unstable.

84. In the United States, in view of steadily mounting stocks and declining exports, new legislation designed to bring about a substantial cut in production, a recovery in exports and a gradual reduction of surplus stocks was enacted to take effect in the 1966/67 season. In lieu of high price supports, it provides income support through direct payments to producers, applicable only to that portion of production destined for the domestic market. Loan rates (starting with the 1967 crop) may not exceed 90 per cent of the estimated world market price. It requires participating farmers to divert at least 12.5 per cent of their acreage allotment out of cotton and provides payment incentives for diversions of up to 35 per cent. It requires that cotton be made available at current market prices, as did the previous law; but there will no longer be need for an export subsidy or an equalization payment on cotton consumed domestically.

84A. As a result of the new programme the area planted to cotton for 1966 in the United States was 27 per cent less than in the previous year and a production decrease of about the same magnitude, or about 850,000 tons was expected. The first sales of Commodity Credit Corporation stocks for delivery after 1 July 1966 were made at bid prices that averaged 5-10 per cent lower than at the beginning of the previous season, reflecting the expectation that the downward trend in prices brought on by the over-supply situation would continue into the new season.

85. The effects of the new United States policies on the world cotton situation and consequently the opportunities for developing countries will depend on the extent to which output is reduced and on the extent to which world demand increases. Current prices are expected to stimulate the consumption of cotton and make it more competitive with other fibres. In the short run, these effects may not suffice to

prevent a reduction in the export earnings of some developing countries. This would be particularly serious for those developing countries which depend on cotton for a considerable proportion of their foreign exchange earnings. Developing countries exporting cotton therefore face a number of short-term and long-term uncertainties, which could confront them with serious problems of re-adjustment. Nevertheless, during the next three to five years world consumption could well exceed world production, thereby facilitating the disposal of the United States surplus and establishment of a reasonable balance between world supply and world demand for cotton.

86. Efforts have been made under the auspices of the International Cotton Advisory Committee (ICAC) to improve cotton's competitive position through the establishment by a number of producing countries of an "International Institute for Cotton", for research and promotion to stimulate cotton consumption.

87. The question of a study of an International Cotton Agreement was explored at the 25th plenary meeting of ICAC in June 1966. Several major cotton-producing countries were in favour of conducting such a study but the majority of producers considered that any limitation of production or exports would not be in the best interests of the developing countries. Accordingly, the consensus of the meeting was that a study of an agreement should not be undertaken.

88. The situation in world cotton markets will remain of considerable concern so long as present heavy stocks are not reduced. Pending agreement on more far-reaching action on an inter-governmental basis, it seems that the solution to the problem can best be found in the promotion of consumption.

Rubber

89. The basic problem confronting the natural rubber industry remains its long-term competitive relationship with synthetic rubber. Synthetics accounted for five-sixths of the expansion in estimated total world rubber usage between 1953-55 and 1965, and by the latter year the share of synthetics had exceeded 60 per cent of total elastomer consumption.

90. So far, substitution has been largely in favour of SBR, the principal competing synthetic rubber, the chief advantage of which is its cheapness, though in some applications, particularly in tyres for heavy vehicles, natural rubber has not been replaced by SBR for technical reasons. The development of stereo-regular synthetic rubber is, however, beginning to change this situation and these synthetics compete

with both SBR and with the natural product. In general, synthetics enjoy two inherent advantages over natural rubber: the supply of natural rubber is highly inelastic (it takes 6-7 years for rubber trees to come into bearing), while synthetic rubber capacity can be expanded much more rapidly; and synthetic rubber is produced in the consuming countries thereby reducing transportation costs and the need to hold stocks.

91. World natural rubber production and consumption continued their slow upward trend in 1965 with increases of 4 per cent compared with the previous year. Although, on the basis of preliminary estimates natural rubber production recorded a slight setback in 1966, the increase was expected to be resumed in 1967; on the other hand, the rate of increase in consumption of natural rubber increased in 1966 but was expected to decline in 1967. However, there was continued excess capacity in the synthetic rubber industry. In spite of this, the share of synthetic in United States rubber consumption, where substitution has gone farthest, did not increase in 1965 beyond the level of 75 per cent reached in 1964 and on the basis of preliminary estimates, was expected to remain at this level in 1966; it might well be that the scope for further substitution in the United States (on the basis of present price and quality relationships) is limited.

92. Although the price of natural rubber declined during the second half of 1965, the average for the year was 22.9 cents a lb. compared with 22.2 in 1964 (equivalent in US currency of the price in Singapore of No.1 RSS). The average price during the first eleven months of 1966 was 21.6 cents a lb. In June 1966, the United States Government announced plans to make available for sale up to 170,000 long tons of natural rubber from its stockpile in the year ending 31 March 1967, as compared with 122,000 tons in 1965. It was stated that further consultations with natural rubber producing countries would take place during the 18th Assembly of the International Rubber Study Group to be held in Lagos in November 1966. Some concern was, however, expressed at the effect of these disposals on prices, which declined somewhat following the announcement. In September and the first half of October, the price averaged 19.5 cents a lb., the lowest level for twelve years. In mid-October, the United States Government announced that stockpile sales would be limited to 120,000 tons annually and that there would be no further releases in 1966. The price recovered to an average of 20.8 cents in the second half of the October and 20.5 cents in November.

92A. The Eighteenth Assembly of the International Rubber Study Group, held in November 1966, reviewed the current situation and outlook. It also endorsed a number of recommendations of its Working Party on the Prospects for Natural Rubber. These included recommendations on the maintenance and increase of replanting programmes in producing countries, international co-operation directed towards increasing efficiency of production and marketing, studies by the Group of elements in costs, the regular dissemination to natural rubber producers of information on significant developments in the synthetic rubber industry and on the arranging of a meeting to consider international co-operation in research and development.

93. Rubber remains a major source of foreign exchange earnings for a number of developing countries. In Malaysia, the most important producing country, the contribution of natural rubber to total export earnings is not far short of one-half. The case of Indonesia is similar, whilst in Viet-Nam it is as much as two-thirds. The future of the natural rubber industry depends heavily on achieving a substantial reduction in production costs. While costs are being reduced (as a result of the planting of higher-yielding trees and other technological advances) output has been increasing and a surplus production capacity could emerge between 1970 and 1975 at the present level of prices. It therefore seems unlikely that there would be any relief, over the remainder of the current decade, from the downward pressure on natural rubber prices which has persisted since 1960.

94. Two documents on rubber were before the Permanent Sub-Committee, namely the case study on rubber[1/] submitted in connexion with agenda item 5 of its first session, and the report of the Working Party on the Prospects for Natural Rubber, which was considered by the Management Committee of the International Rubber Study Group at its 80th session in May 1966.[2/] These documents stressed that the principal policy which could materially contribute to a solution of the problems of natural rubber was one directed towards reducing its cost of production and increasing its competitive efficiency. Although substantial progress had already been made in a number of natural rubber producing countries, there was considerable scope for expanding and accelerating action in these fields, and this might require international financial aid and technical assistance to supplement domestic resources devoted to implementing this policy.

1/ TD/B/C.1/PSC/3.

2/ TD/B/C.1/20.

Hard fibres

95. Hard fibres are not only subject to substantial short-term price fluctuations, as a result of variations in output, but have become increasingly subject to displacement by synthetic fibres in a variety of end-uses. Notwithstanding this trend to substitution by synthetics, increased production of hard fibres is planned in the main producing countries.

96. The principal hard fibres (sisal, henequen, and abaca or manila hemp), all grown in developing countries and exported mainly to developed countries, are a significant source of foreign exchange earnings: in the case of Tanzania, the leading exporter of sisal, this product accounts for about one-third of total export value. Abaca is used chiefly in marine cordage, but also in industrial ropes, while the main uses of sisal and henequen are in agricultural and commercial twines and padding. Consumption of abaca suffered a severe decline due to its replacement by synthetic fibres (nylon, polyester and polyvinyl). In the case of sisal and henequen, the growth in demand for baler twine as a result of widespread baling of hay has more than compensated for the reduced use of binder twine resulting from growing use of combine harvesters. Sisal and henequen are now also becoming subject to competition from synthetics, from polypropylene (in the case of twine) and polyurethane foam (in the case of padding). On the basis of recent trends in plantings and of government plans, substantial increases in output of hard fibres can be expected in the next few years. There is therefore a danger of over-production with a depressing effect on prices and export earnings.

97. World production of sisal and henequen was somewhat lower in 1965 than in 1964, mainly as a result of adverse weather conditions, and output in 1966 has risen slightly. The fall in abaca production, on the other hand, was part of a long-term trend and has continued in 1966. Demand for hard fibres contracted considerably in 1964, and again in 1965, by which time substantial stocks remained to be cleared. The value of world trade in hard fibres declined in 1965 for the second consecutive year, and reached a total of only $130 million, as compared with $190 and $200 million in 1964 and 1963 respectively. The low level of prices, and the running down of mill stocks did, in fact, result in some degree of recovery in the volume of consumption and trade in 1966, though not to any substantial increase in export earnings. Prices of all hard fibres, except Davao-grade abaca, which had fallen steeply in 1964, continued to fall throughout 1965. Greater stability prevailed

in the first half of 1966, but some further weakening became apparent in August/ September 1966 and no substantial recovery was anticipated during the remainder of the year.

98. The second Ad Hoc Consultation on Hard Fibres[1/], held in April 1966 under the auspices of the FAO Committee on Commodity Problems, concluded that there was a need for close and continuing intergovernmental review of both short and long-term problems affecting hard fibres and recommended the establishment of a Study Group. The FAO Committee on Commodity Problems established a Study Group on Hard Fibres in June 1966[2/], the first session of which was held in September. The Study Group drew up a programme of work[3/] emphasizing the following main fields of activity:

(a) study of the impact of man-made fibres;

(b) study of possible approaches to short and longer term stabilization of hard fibre markets; and

(c) development of collection of statistical information.

1/ See report of the second Ad Hoc Consultation on Hard Fibres, FAO document CCP 66/10.

2/ See report of the fortieth session of the Committee on Commodity Problems, FAO document CCP 66/18.

3/ See report of the first session of the Study Group on Hard Fibres, FAO document CCP/67/5.

III. INTERNATIONAL CONSULTATIONS AND ACTIONS

99. In the last two years, under the influence of the recommendations of the 1964 Conference on Trade and Development and the spirit which inspired them, a more extensive examination than hitherto has been undertaken, at inter-governmental policy levels, of problems in international trade in primary commodities and possible remedial measures. Institutionally consultations have involved not only UNCTAD and other United Nations bodies, notably FAO, but also GATT and the specialized commodity councils and study groups.

Inter-governmental commodity arrangements

100. Activity has been concentrated in the field of multilateral commodity arrangements. The first commodity conference held since the creation of UNCTAD successfully negotiated a new International Tin Agreement to replace the Second Tin Agreement. The Third International Tin Agreement, which has a duration of five years, came into force on 1 July 1966. On 6 July 1966, the price levels in the Agreement were raised from £1,000 to £1,100 per long ton at the minimum of the range and from £1,200 to £1,400 per long ton at the ceiling. Three other agreements - coffee, wheat, olive oil - continued in operation, and the Sugar Agreement remained in force, although the economic clauses were not operative.

101. Steps were taken in both 1965 and 1966 by the International Coffee Council to increase the efficacy of the International Coffee Agreement. However, problems were encountered by the Council in adjusting basic quotas and these have not so far been resolved. Plans for the setting of longer-term global and country production goals, therefore, have yet to be implemented. To compensate for the absence of specific plans to deal with the basic problem of mounting coffee stocks certain exporting Members were granted relief in the form of waivers of quota obligations in 1966/67 while at the same time steps were taken to encourage diversification schemes.

101A. The current International Wheat Agreement has been twice extended in the hope that discussions taking place in GATT would contribute to the conclusion of comprehensive arrangements providing satisfactory conditions of access to markets. In 1965 the International Olive Oil Council broadened the scope of its functions by adopting a plant to regularize supplies on the international olive oil market.

102. Moves towards the conclusion of international agreements on two other commodities - cocoa and sugar - of wide interest to developing countries, and in which the situation has been causing serious concern, have involved intensive international policy discussions. In respect of both cocoa - a hitherto unregulated commodity - and sugar, which for some years now has not been subject to the regulative clauses of the International Sugar Agreement, new responsibilities for both importing and exporting countries have been under discussion. For example, in the discussions of a possible international agreement on cocoa, a consensus has been reached that it should contain a broad range of techniques including quotas, buffer stock mechanism, price range, regular income for the buffer stock and the diversion of structural surpluses of cocoa to non-conventional uses; and importing countries have shown a willingness to play a broader role than has been traditional for them in agreements on commodities in surplus. In the discussion of a possible new operative sugar agreement, novel commitments by industrial countries regarding access to their markets and much stronger provisions for the protection of the price range have been under consideration.

102A. The United Nations Cocoa Conference, held during May-June 1966, made considerable progress, although at its conclusion agreement was still lacking on a number of points. In particular, agreement was not reached on the level of the floor price, though even on this the views of producers and most consumers were not far apart. The Conference requested the Secretary-General of UNCTAD to continue consultations with governments, and also, where useful, to arrange for the study of technical questions by small working groups and, after assessing the results of these consultations, to convene a meeting of a negotiating group to consider carefully the possibilities of arriving at an agreement. Finally, the Secretary-General of UNCTAD was invited, on the basis of the above action, to reconvene the Conference. Consultations and technical studies were begun in September and were continued in New York in November/December.

102B. The United Nations Sugar Conference, held in September-October 1965, did not agree on such basic matters as assurances by importers regarding access to their markets, price mechanism and export quotas. It was agreed that a second session of the Conference should be convened in the spring of 1966 or as soon thereafter as a successful outcome appeared likely. After consultations in March 1966, it was decided that insufficient progress had been made to resume the Conference in the

spring. During further discussions in May-June 1966, the possibility of an interim agreement of limited scope was considered but was not found generally acceptable. In September and November the Group gave consideration to certain problems relating to long-term sugar agreement.

103. The feasibility and desirability of moving towards inter-governmental arrangements on some other commodities have also been considered in the context of the work of the International Lead and Zinc Study Group, the United Nations Committee on Tungsten, and the International Cotton Advisory Committee.

104. Although no formal international agreements were concluded on any commodity not previously so covered, there has been a greater willingness on the part of both importing and exporting countries to discuss new approaches and obligations in the spirit of the recommendations of UNCTAD, and it is hoped that progress in implementing these recommendations will be accelerated in the immediate future.

105. Efforts made by primary producing countries to improve or sustain market prices without the participation and active support of importing countries (as in the case of cocoa and sugar) are seen to have been often inadequate, if effective at all, for the tasks at hand. The minimum export price scheme initiated by the vast majority of sugar exporters in March 1966 and withdrawn in June 1966 provides the most recent example of such ineffective action. The advantages of co-operative action by both groups of countries have been re-emphasized by the events of recent years.

Food Aid

106. The United Nations/FAO World Food Programme, established in 1962 for a three-year period, was extended by a decision of the General Assembly for a further three years from 1 January 1966. The target was raised from $100 million to $275 million. The regulations of the Programme were modified in 1965 in line with the purpose of UNCTAD recommendation A.11.6 to provide that a portion of cash resources may be used for food purchases, with such purchases to be made, insofar as it is economic and possible to do so, from developing countries which export food. The General Assembly also requested a comprehensive inter-agency study of multilateral food aid, this study to be based upon, although not limited to, proposals that have been made for adapting techniques of food aid to benefit exporters as well as importers of food among the developing countries.

Organization of commodity trade

107. The question of the international organization of commodity trade was examined by an Ad Hoc Working Party established in accordance with UNCTAD recommendation A.11.8. The Working Party met in July 1965, and recommended certain studies, which were considered by the Permanent Sub-Committee at its first session in June-July 1966.

Note

The United States made the following comment on paragraph 107 as it appeared in TD/B/C.1/PSC/WP/L.3: "This paragraph could be deleted without loss. If it is not deleted, the first sentence should refer only to the establishment of the working party since no proposals for organization of trade were ever examined by this body."

FAO

108. During the period under review, exporting and importing member countries made extensive use of the FAO machinery for studies of, and inter-governmental consultations on, problems in agricultural commodity markets. In the process the scope of the machinery was enlarged. In addition to the existing study groups, study groups on bananas and hard fibres were established, while the terms of reference of the study group on coconut products were expanded to cover all oilseeds, oils and fats. A special meeting on tea was arranged. The Study Group on Hard Fibres, at its first session examined problems of demand and explored the possibilities of expanding trade. Since September 1965 co-operative action on trade in jute has been taken by exporting and importing countries, through the Jute Consultative Committee of the FAO Study Group on Jute, Kenaf and Allied Fibres.

GATT

109. In the last few years, the Contracting Parties to GATT have undertaken extensive discussions with a view to action to improve the conditions of commodity trade in the context of the Kennedy Round of negotiations. Certain temperate-zone agricultural products - cereals, meat, dairy products - have received attention; consideration has also been given to tropical products. It is not clear at this stage how wide or significant might be any measures on primary commodities which might emerge out of the Kennedy Round of negotiations. In February 1965 a Part IV, on Trade and Development, was added to the General Agreement, envisaging actions by developed Contracting Parties, inter alia, to improve conditions of commodity trade without the expectation of reciprocity by developing countries.

Note

Canada has commented as follows on paragraph 109 as it appeared in TD/B/C.1/PSC/WP/L.3: "Paragraph 109 prejudges the potential benefits to developing countries of the Kennedy Round negotiations. It was our view that during the Sub-Committee session most delegations agreed that the final sentence of this paragraph should be deleted. The Canadian delegation and others expressed the view that the section on GATT was somewhat incomplete and negative. There is no reference for example to Part IV of the General Agreement, the Committee on Trade and Development, the Trade Information Centre and the Group on Tropical Products."

The United States made the following comment on paragraph 109 as it appeared in TD/B/C.1/PSC/WP/L.3: "This paragraph is entirely inadequate to cover the work undertaken in GATT during the period of this Summary. There is, for example, no reference to the new Part IV of the Agreement relating to the needs of developing countries and the Committee on Trade and Development, whose work relates to many aspects of commodity trade of the developing countries. With respect to the Kennedy Round, the text should be redrafted, inter alia, to reflect developments since the draft summary was prepared. In so doing, it would be desirable to eliminate the pessimistic prejudgment of the outcome contained in the last sentence of the paragraph. We suggest that the GATT Secretariat be requested to supply a short statement to replace the present text."

Actions of a regional character

110. Moves towards economic integration spread considerably during the period, especially among developing countries. As regards the near future, the contribution of such moves to increased intra-trade in primary commodities among developing countries is limited by the fact that the bulk of developing countries' exports of such products now goes to the industrial countries. In the longer run, a considerable potential exists for intra-trade of the developing countries in primary commodities.

Note:

The United States made the following comment on paragraph 110 as it appeared in TD/B/C.1/PSC/WP/L.3: "This subject warrants less superficial treatment. The first sentence should be followed by specific mention of the principal examples. In lieu of the second sentence it would be desirable to provide a fuller, more carefully reasoned discussion of the short-term obstacles and long-term possibilities, particularly in the context of (1) planned industrial development utilizing regional raw material resources and (2) co-operative efforts to increase food supplies."

Review of national actions

111. A broad impression of the impact of national commodity actions taken by major developed countries during the period can be formed from the UNCTAD Commodity Survey, 1966 and FAO Commodity Review, 1966. On a broad view, actions taken by major developed countries are seen to have been uneven in terms of their likely contribution to an improvement in the conditions of commodity trade.

112. Some national actions in the period have positive aspects, such as the removal of particular import restrictions (for example, in lead and zinc in one country); the removal or suspension of customs duties on some tropical products by a number of developed countries; willingness in some instances to pay remunerative prices for particular primary commodities (for example, sugar); the tendency to provide for a sharing of market growth with external suppliers (as in meat and sugar in one major importing country and cereals in another); and the limitation of agricultural support to specified quantities of production.

Note

The United States made the following comments on paragraphs 111 and 112 as they appeared in TD/B/C.1/PSC/WP/L.3: "The United States suggests deletion of these paragraphs since they repeat the Secretary-General's report on implementation, are certain to be highly controversial and are not germane to this part of the report, which deals with international rather than national actions."

113. Some other actions have increased, or introduced new, impediments or uncertainties for commercial trade. Some examples are the consolidation of the protected market for domestic primary producers in a major importing region in the process of economic integration; uncertainties raised by the adoption of a new cotton programme by a leading exporter, and by the proposed increase in the volume of bilateral disposals of agricultural commodities on concessional terms.

114. When viewing the whole ramified field of direct and indirect barriers to trade in prinary commodities (including support of domestic production in industrialized countries), it is difficult to escape the impression that such actions as have been taken to date have not markedly changed, or offer the prospect of markedly changing, the over-all position of two years ago.